

Eris Lifesciences Ltd : Good Issue

IPO Note : Highly-priced but strong financial metrics like return on capital and zero debt status makes it attractive

: Ranking***



Issue details

Price band (Rs)	Rs.600-603
IPO Opening Date	16/06/17
IPO Closing Date	20/06/17
Issue Size	Rs. 1741 Cr.

Recommendation

Total revenue grew at a CAGR of **17.19%** from Rs.394.15 Cr for the FY 2013 to Rs.744.07 Cr for FY 2017 and Net Profit grew at a CAGR of **42.82%** in the same period. For the FY17 it posted an EPS of Rs. 17.59 (on consolidated basis). Based on it, asking price is at a P/E of 34 plus and P/BV of 15. However, on the basis of pricing, it appears to be fully priced. There are listed peer companies in the pharma sector like Glaxo Pharmaceutical, Sanofi, Abbott and Pfizer are trading at PE between 23.0 to 61.0. Looking its zero debt status and strong growth in bottom line in last 4 years investors may consider investment for medium to long term in this niche player.

Highlights

- Eris Lifescience Ltd is Ahmedabad, Gujrat based pharmaceutical company engaged in research, development, manufacturing and selling of select therapeutic areas within the chronic and acute categories of the Indian Pharmaceutical Market.
- Focus on branded prescription based pharmaceutical products catering to lifestyle related disorders
- Portfolio of high volume and leading brands
- Focus on metro cities and class 1 towns in India which have higher incidence of lifestyle disorders and concentration of specialists and super specialists
- Multi-faceted product selection and engagement model leading to growth in prescription
- Strong sales, marketing and distribution capabilities
- Based on CAGR growth for last five fiscals of the top 35 companies, ELL is the second company in the IPM with a CAGR of 21.7%, 1st in Chronic Category with a CAGR of 28.9%, 3rd in cardiovascular Therapeutics as well as Anti-Diabetics Therapeutics with 25.8% and 34.5% respectively.

Company Introduction

Eris Lifesciences Ltd (ELL) is a developer, manufacturer and commercializer of branded pharmaceutical products in select therapeutic areas within the chronic and acute categories of the IPM such as cardiovascular, anti-diabetics, vitamins, gastroenterology and anti-infectives. Company's focus has been on developing products in the chronic and acute category which are linked to lifestyle related disorders. The chronic category of the IPM contributed 65.6% of ELL's revenues in Fiscal 2017. ELL is ranked 20th out of 377 domestic and multinational companies present in the chronic category of the IPM, in terms of revenues for Fiscal 2017 and the fastest growing company, in the chronic category, among the top 25 companies in terms of revenues, with revenue growth at CAGR of 28.9%, between Fiscals 2013 and 2017. The company generated 34.4% of



www.eris.co.in

Financial Summary (Rs. In Crore)

Particulars	nine month ended Dec. 2016	FY2016	FY2015	FY2014
Total Income	744.07	600.39	549.05	513.24
Net Profit	241.9	134.85	89.25	70.53
EPS (Rs)	17.59	9.8	6.49	5.13

Source: RHP and ACE Equity

RANKING METHODOLOGY

WEAK	*
AVERAGE	**
GOOD	***
VERY GOOD	****
EXCELLENT	*****

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revenues from the acute category of the IPM in Fiscal 2017 posting growth at a CAGR of 12.0% between Fiscals 2013 and 2017. Company's product portfolio comprised of 80 mother brand groups as of March 31, 2017. ELL's product portfolio is primarily focused on therapeutic areas which require the intervention of specialists and super specialists such as cardiologists, diabetologists, endocrinologists and gastroenterologists.

Company Promoters:

1. Mr. Amit Indubhushan Bakshi,
2. Mr. Himanshu Jayantbhai Shah,
3. Mr. Inderjeet Singh Negi,
4. Mr. Rajendrakumar Rambhai Patel and
5. Mr. Kaushal Kamlesh Shah.

The object of the issue

- To achieve the benefits of listing the Equity Shares on the Stock Exchanges
For the sale of up to 28,875,000 Equity Shares by the Selling Shareholders

IPO Issue Proceed

The company is coming out with a maiden IPO of 28875000 equity share of Re. 1 each as offer for sale from the existing stakeholders. The issue is being made via book building route with a price band of Rs. 600-603 to mobilize Rs. 1732.50 to Rs. 1741.16 crore (based on lower and upper price band). Issue opens for subscription on 16.06.17 and will close on 20.06.17. Minimum application is to be made for 24 shares and in multiples thereon, thereafter. Post allotment, shares will be listed on BSE and NSE. The Company has reserved 150000 shares for employees and from the balance, 75% of the issue for QIBs, 15% for HNIs and 10% for Retail investors. This offer is done to provide exit route to some of its existing shareholders and listing benefits.